

AR80

# Canada Southern Petroleum Ltd.



**1967 Annual Report**

Year ended June 30

# Canada Southern Petroleum Ltd.

## To the Stockholders:

During the past year several developments of significance to the Company have taken place in the Liard Basin area of northeast British Columbia and the Yukon and Northwest Territories of western Canada.

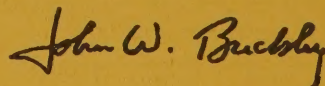
Of considerable importance was the discovery in April 1967 of the Pointed Mountain gas field approximately 30 miles northeast of the Beaver River field, and nine miles north of Company-interest properties. Recently, Pan American's P-53 Pointed Mountain, the discovery well, was reported as having an open flow potential of 75 million cubic feet of gas per day.

The announcement in January 1967 that Pan American had signed a gas sales contract with Westcoast Transmission Company Limited, requiring the latter company to install a 110-mile pipeline extension from Fort Nelson to the Beaver River — Pointed Mountain area, is expected to increase drilling activity considerably in the Liard Basin where the Company has interests in approximately 833,000 gross acres (424,000 net acres).

The approval of the sales contract between Westcoast Transmission Company and El Paso Natural Gas Company for the export to the U.S. of up to 600 million cubic feet of gas per day by 1970 is being delayed because of differences in price recommendations by the U.S. Federal Power Commission and the Canadian National Energy Board. Because of mounting demands for gas in the northwest U. S. it is believed, however, that agreement will be reached in time for construction of the Fort Nelson pipeline extension to proceed as scheduled.

On the following pages is a review of these and other exploratory and development operations affecting the Company's interests. Included also are audited financial statements for the fiscal year ended June 30, 1967.

On behalf of the Board of Directors,



October 18, 1967

President.



## REVIEW OF OPERATIONS

### YUKON AND NORTHWEST TERRITORIES

#### Liard Basin

In January 1967 Pan American (Standard of Indiana subsidiary) announced the signing of a sales contract with Westcoast Transmission Company Limited covering 1.5 trillion cubic feet of gas. The contract covers the sales of gas of up to 200 million cubic feet per day and will require the construction by Westcoast of a 110-mile 20-inch pipeline from Fort Nelson to the Beaver River — Pointed Mountain area at a cost of \$15,000,000. This pipeline is scheduled for completion early in 1969 with initial delivery to take place in November of that year.

Intensified drilling is expected to occur throughout this area prior to the construction of the Beaver River extension to develop the extensive reserves already indicated by the exploratory operations to date. Westcoast Transmission Company Limited has announced that other operators will share in the sale of gas on a pro rata basis as reserves are developed.

The effect of the new contract is already apparent in the increased activity in the area. Pan American's step-out well No. C45K, two miles south of the original Beaver River discovery in northeast British Columbia, has drilled to a depth of 14,700 feet. Casing is being run preparatory to a testing program of the carbonate pay zone which was reportedly topped at 11,905 feet. As reported in last year's Annual Report, Pan American's two wells drilled at Beaver River have established proven gas reserves of 777 billion cubic feet (approximately seven miles south of Company-interest properties).

The Pointed Mountain P-53 discovery well, 30 miles northeast of Beaver River, which was completed in April 1967 at a depth of 14,335 feet, was reported recently to have tested gas with open flow potential of 75 million cubic feet daily from 970 gross feet of dolomite pay zone. Pan American's second well has commenced drilling as a two-mile north step-out to its Pointed Mountain discovery well.

In this general area the Company has interests in 89,642 gross acres (40,339 net acres). Permit 1007 covering 31,888 acres, in which the Company has a 45% carried interest, and on which the North Beaver River No. 1-27 discovery well was completed, and Ex-Permit 1006 covering 12,723 gross lease acres (Company interest 90%) are located approximately midway between the Beaver River and the Pointed Mountain discovery wells (see map). No decisions have yet been announced by the operators regarding further drilling on Canada Southern lands in this area.

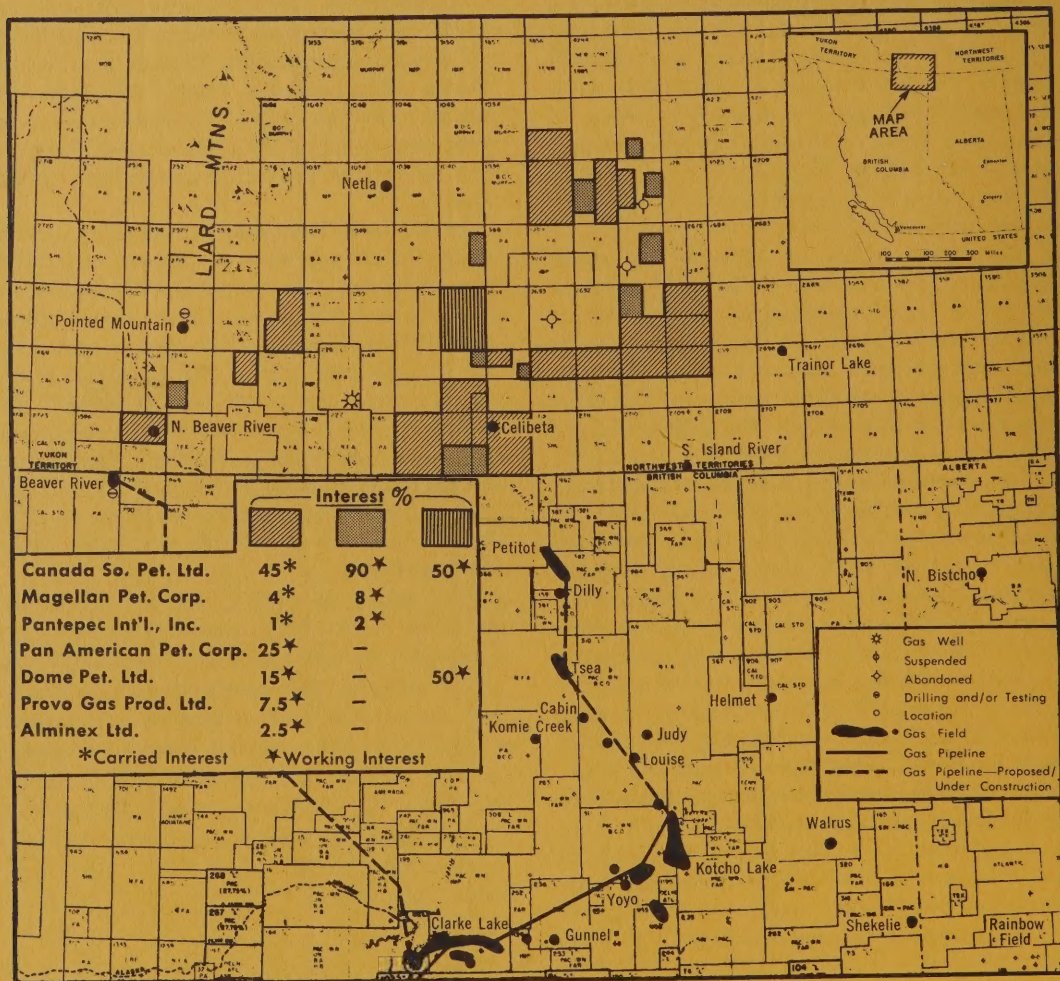
In the Trout Lake area, on Company carried-interest lands northeast of Celibeta, two 5,000-foot exploratory tests were drilled, both of which were dry and abandoned. West of the Celibeta area, Texaco Exploration Company's Bovie Lake No. 1, eight miles west of Permit 1136 in which the Company has a 45% carried interest, was drilled to 11,034 feet and was reported as a suspended gas well. A seismic program was carried out during the winter in the Trout Lake area and it is anticipated that at least one additional well will be drilled there during the winter drilling season.

This summer some of the permits which were included in the Home-Signal agreement (now Dome-Pan American agreement) were returned to the Company and several others were converted to lease. The retained lands were determined on the basis of the available seismic information and the drilling which has been done to date in the areas. The Company presently owns interests in approximately 833,000 gross acres (Company interest 424,000 net acres) in the Liard Basin, where the Beaver River, Pointed Mountain, North Beaver River and Celibeta discoveries are located. The Company has interests only in the latter two fields, and further exploratory drilling will be necessary, of course, to determine whether or not additional Company-interest properties will be productive.

# HOLDINGS OF CANADA SOUTHERN PETROLEUM LTD. IN YUKON and NORTHWEST TERRITORIES

MAP DOES NOT INCLUDE ARCTIC ISLANDS AND FT. GOOD HOPE HOLDINGS.

0 10 20 30 40 50 60 70 80 Miles





## **BRITISH COLUMBIA**

### **Fort Nelson Area**

It is anticipated that some drilling will take place this winter on and in the vicinity of the Company's holdings. The limits of the Clarke Lake field have still not been determined and some drilling is being carried out, though not on Canada Southern-interest lands at the present time.

### **Buick Creek**

Two gas wells were completed in the North Buick Creek field. Canada Southern has a 10.625% carried interest in these wells. There may be further drilling this winter on or adjacent to Company-interest lands in the Buick Creek area.

### **Peejay Area**

There are now 28 oil wells completed on Canada Southern's 27.75% carried-interest lands in the general Peejay area. In June and July 1967 these wells produced over 950 barrels of oil daily (before royalty) for the Company's carried interest account. Two wells are being drilled at the present time on Company-interest lands. It is anticipated that additional development wells and some exploratory tests will be drilled in the next year in the area.

The unitizing of the Nancy portion of the Peejay field and the commencement of a water-flood in this part of the field have been two of the main factors in improving production and it is hoped that this improvement can be maintained in the coming months.

## **ARCTIC ISLANDS**

The agreements with Panarctic Oils Ltd., under which Panarctic has the right to earn an interest in substantially all of the Company's Arctic Islands acreage, covering 4,516,092 acres (2,015,870 net acres to the Company) have been amended to provide that Panarctic will be required to expend a minimum of \$10,000,000 up to a maximum of \$30,000,000 in a comprehensive 5-year exploratory work program in the Islands, covering an area of some 35,000,000 acres. Under the agreements as amended, the Company will retain a minimum of 20% of its present working interests, with an option on the part of the Company to convert any or all of the several blocks into which the permits have been divided to a carried interest or to an overriding royalty interest, of 15% or 4%, respectively, of its present working interests, such retained interests to be increased, on a sliding scale basis, depending on Panarctic's actual expenditures below the maximum of \$30,000,000. Under the agreements as amended, which are still awaiting ratification by some of the participants, Panarctic, under the maximum \$30,000,000 program, will undertake to keep the majority of the lands in good standing until June 1972, and will drill two 10,000-foot exploratory tests on the TriCeeTee Group holdings (Company interest 33⅓%) and at least two 6,000-foot exploratory tests on or in the vicinity of the Company's 100% holdings. If Panarctic's expenditures are less than the maximum of \$30,000,000, its work obligations and earned interests will be scaled down accordingly.

# ACREAGE SUMMARY—SEPTEMBER 30, 1967

## CANADA

	Gross Acreage In Which Interest is Held	Held Under Lease	NET ACREAGE(1)	
			Held Under Permit	Total
<b>British Columbia</b>				
Pacific Agreement				
Working Interest . . . . .	295,608	64,790		
Carried Interest . . . . .	344,589	73,225		
Phillips Agreement—Carried Interest . . . . .	342,136	117,584		
Other . . . . .	140,278	20,728		
Total British Columbia . . . . .	1,122,611	276,327		276,327
<b>Northwest &amp; Yukon Territories</b>				
Liard Basin				
Dome-Pan Am Agreement <sup>(2)</sup> —Carried Interest . . . . .	666,420	29,134	270,755	299,889
Other . . . . .	166,762	64,426	60,376	124,802
Total Liard Basin <sup>(3)</sup> . . . . .	833,182	93,560	331,131	424,691
Fort Good Hope Area . . . . .	152,838	—	133,734	133,734
Total N.W. & Yukon Territories . . . . .	986,020	93,560	464,865	558,425
<b>Arctic Islands</b>				
Panarctic Agreements				
TriCeeTee . . . . .	3,687,097		1,229,032	
Other . . . . .	828,995		786,838	
Total Panarctic Agreements . . . . .	4,516,092		2,015,870	
Other . . . . .	100,736		5,037	
Total Arctic Islands . . . . .	4,616,828		2,020,907	2,020,907
TOTAL CANADA . . . . .	6,725,459	369,887	2,485,772	2,855,659

## AUSTRALIA

<b>Northern Territory</b>	76,800		3,840	3,840
GRAND TOTAL .....	6,802,259	369,887	2,489,612	2,859,499

(1) The Company also has a 1.0125% overriding royalty on 13,008 lease acres in British Columbia.

(2) Formerly Home-Signal Agreement.

(3) Giving effect to acreage changes in August 1967 which are subject to Government approval.



# PRODUCTIVE WELLS—July 31, 1967

Permit	Name of Field	GROSS WELLS		NET WELLS		Interest
		Oil	Gas	Oil	Gas	
British Columbia						
38L	Doe		1 SI		.13750	W
98L	Boundary Lake		4 SI		.55000	W
98L	Boundary Lake		1		.25000	W
100L	Syphon		2 SI		.42500	C
100L	Flatrock		1 SI		.21250	C
101L	Buick Creek West	2 SI	8	.4250	1.70000	C
101L	Buick Creek West		5 SI		.95625	C
101 Unit	Buick Creek North		1		.10625	C
101 Unit	Buick Creek North		1 SI		.10625	C
102L	Wargen		1 SI		.21250	C
103L	Clarke Lake		2		.42500	C
103L	Clarke Lake		2 SI		.42500	C
103L	Jackfish		1 SI		.21250	C
104L	Ekwan		1 SI		.21250	C
135L	Coplin	1 SI		.0166		C
135L	Red Creek		1 SI		.01660	C
135L	Stoddart		2		.03320	C
135L	Stoddart West		1		.01660	C
149L	Highway		4 SI		2.00000	C
149L	Town		1 SI		.50000	C
178L	Osprey	1		.2775		C
178L	Weasel	2		.5550		C
178L	Weasel	1 SI		.2775		C
178L	West Dede		1 SI		.27750	C
178L	Peejay West	2 SI		.5550		C
224L	Beaverdam		1 SI		.27750	C
224L	Peejay	18		4.9950		C
224L	Peejay	2 SI	2 SI	.5550	.55500	C
224L	Weasel	1		.2775		C
224L	Wildmint	1		.2775		C
		31	44	8.2116	9.60765	
Yukon & N.W.T.						
1007	N. Beaver R.		1 SI		.61900	W
2713	Celibeta		1 SI		.45000	C
			2		1.06900	
TOTAL		31	46	8.2116	10.67665	

"L" indicates permit converted to lease  
"W" indicates working interest

"SI" indicates well shut in  
"C" indicates carried interest

## CANADA SOUTHERN PETROLEUM LTD. (A Canadian corporation)

**CONSOLIDATED BALANCE SHEET**

(Expressed in Canadian dollars)

June 30, 1967 and 1966

<b>ASSETS AND DEFERRED EXPENDITURES</b>	<b><u>1967</u></b>	<b><u>1966</u></b>
Current assets:		
Cash .....	\$ 85,398	\$ 134,201
Accounts receivable:		
Magellan Petroleum Corporation .....	26,283	—
Other .....	35,000	213,297
Refundable deposits and prepaid expenses .....	35,470	52,573
Total current assets .....	<u>182,151</u>	<u>400,071</u>
Special refundable tax — Government of Canada .....	125,015	—
Investments and advances:		
United Canso Oil & Gas Ltd., 84,099 shares of capital stock and warrants to purchase 7,008 shares of capital stock in 1967 and 70,083 shares of capital stock in 1966, at cost (market value \$280,722 and \$197,837, respectively) .....	155,091	123,237
Trans-Border Holdings Limited, 50% of capital stock, at cost and advances of \$5,248 .....	117,248	117,248
Other .....	30,080	5,080
Oil and gas permits, leases and interests, including well, geological and geophysical, lease rental and dry hole costs .....	5,929,703	5,792,903
Other exploratory expenses and general and administrative expenses deferred .....	4,503,970	4,009,096
Land, building and equipment, at cost less accumulated depreciation of \$210,689 and \$203,501, respectively .....	141,526	148,559
	<u><u>\$11,184,784</u></u>	<u><u>\$10,596,194</u></u>

*The accompanying notes are an integral part of this statement.*



LIABILITIES AND CAPITAL	1967	1966
Current liabilities:		
Accounts payable and accrued liabilities:		
The Catawba Corporation .....	\$ 25,289	\$ 47,118
United Canso Oil & Gas Ltd. ....	—	34,079
Other .....	71,643	62,858
Current portion of mortgage loan .....	15,900	14,900
Total current liabilities .....	112,832	158,955
7% mortgage loan, maturing February 1974 (secured by land and building), less portion included above .....	112,240	128,113
Capital:		
Capital stock, par value \$1 per share:		
Authorized — 8,000,000 shares		
Outstanding — 6,599,706 and 6,247,306 shares, respectively .....	6,599,706	6,247,306
Capital in excess of par value .....	9,451,840	9,010,362
	16,051,546	15,257,668
Deductions from capital .....	5,091,834	4,948,542
	10,959,712	10,309,126
Contingent liabilities and commitments (Note 3)		
	<u>\$11,184,784</u>	<u>\$10,596,194</u>

On behalf of the Board:

s/s JOHN W. BUCKLEY, *Director*

s/s M. A. REASONER, *Director*

**CANADA SOUTHERN PETROLEUM LTD. (A Canadian corporation)**

Years ended June 30, 1966 and 1967

(Expressed in Canadian dollars)

**CONSOLIDATED STATEMENT OF OIL AND GAS PERMITS, LEASES AND INTERESTS**

	Balance June 30, 1965
Oil and gas permits, leases and interests (including excess of cost of investment in certain subsidiaries over net assets acquired) .....	\$2,798,482
Cost of standing wells .....	1,544,859
Geological and geophysical expenses .....	760,007
Lease rentals .....	424,035
Dry hole costs .....	131,653
	<u>\$5,659,036</u>

(\*) Includes Act Oil's property interests (net) at acquisition amounting to \$478,906.

**CONSOLIDATED STATEMENT OF OTHER EXPLORATORY EXPENSES  
AND GENERAL AND ADMINISTRATIVE EXPENSES DEFERRED**

Portion of organization, corporate, general and administrative expenses incurred by predecessor company prior to April 20, 1954 .....	\$1,956,162
Expenses of the Company since April 20, 1954:	
Salaries and employee benefits .....	1,528,721
Financial, technical and other services under contract .....	1,267,417
Legal services .....	707,525
Stockholders' reports and capital stock expenses .....	584,413
Building maintenance and rent .....	412,277
Interest and exchange .....	263,548
Intangible drilling costs, lease operating costs and royalties .....	294,911
Depreciation and depletion .....	281,936
Travel .....	121,102
Auditing services .....	86,978
Miscellaneous expenses .....	600,813
	<u>8,105,803</u>
Less income received:	
Rents and other income .....	652,844
Oil and gas sales .....	603,689
Technical and administrative services rendered .....	164,901
Payments received from Phillips Petroleum Company on assigned properties less refund .....	37,425
	<u>1,458,859</u>
Total before abandonments and sales .....	6,646,944
Less portion of above expenses considered allocable to interests abandoned or sold .....	3,082,384
	<u>\$3,564,560</u>

*The accompanying notes are an integral part of these statements.*



<u>Additions and transfers</u>	<u>Abandon- ments and sales</u>	<u>Balance June 30, 1966</u>	<u>Additions and transfers</u>	<u>Abandon- ments and sales</u>	<u>Balance June 30, 1967</u>
\$498,097 (°)	\$327,034	\$2,969,545	\$144,205	\$ 50,013	\$3,063,737
1,357		1,546,216	(535)	1,343	1,544,338
48,774	127,271	681,510	2,397	27,582	656,325
81,296	46,577	458,754	69,029	44,279	483,504
23,766	18,541	136,878	44,921		181,799
<u>\$653,290</u>	<u>\$519,423</u>	<u>\$5,792,903</u>	<u>\$260,017</u>	<u>\$123,217</u>	<u>\$5,929,703</u>
		\$1,956,162			\$1,956,162
\$148,660		1,677,381	\$136,622		1,814,003
192,712		1,460,129	190,958		1,651,087
54,491		762,016	50,024		812,040
39,034		623,447	41,456		664,903
44,897		457,174	48,430		505,604
47,355		310,903	13,615		324,518
22,743		317,654	1,695		319,349
12,996		294,932	15,441		310,373
5,241		126,343	3,588		129,931
8,611		95,589	14,039		109,628
45,106		645,919	51,158		697,077
<u>621,846</u>		<u>8,727,649</u>	<u>567,026</u>		<u>9,294,675</u>
45,373		698,217	42,342		740,559
70,090		673,779	3,730		677,509
12,962		177,863	2,320		180,183
		37,425			37,425
<u>128,425</u>		<u>1,587,284</u>	<u>48,392</u>		<u>1,635,676</u>
493,421		7,140,365	518,634		7,658,999
	\$ 48,885	3,131,269		\$ 23,760	3,155,029
<u>\$493,421</u>	<u>\$ 48,885</u>	<u>\$4,009,096</u>	<u>\$518,634</u>	<u>\$ 23,760</u>	<u>\$4,503,970</u>

## NOTES TO FINANCIAL STATEMENTS

June 30, 1967

## 1. Basis of the financial statements

The accompanying consolidated financial statements include the accounts of Canada Southern Petroleum Ltd. (Canada Southern) and its wholly-owned subsidiaries, Act Oils Limited (Act Oils) and Rampart Petroleums Ltd., hereafter referred to collectively as the Company.

The properties and property interests of the Company are in an exploratory or development stage, and accordingly all expenditures (less income) of these companies have been capitalized or deferred except that costs and expenses applicable or considered allocable to areas abandoned and other losses, net of profits on sales of certain interests and the excess of Canada Southern's equity in net assets of Act Oils over its investment at acquisition, have been deducted from capital.

Deductions from capital for the year ended June 30, 1967 and 1966 are summarized as follows:

	<u>1967</u>	<u>1966</u>
Losses on abandonments or sales of interests:		
Prior years (including losses on former operations in the United States)	\$10,405,672	\$10,142,988
Year ended June 30	143,292	262,684
	<u>10,548,964</u>	<u>10,405,672</u>
Profits on sales of certain interests:		
Prior years	4,547,739	3,482,281
Year ended June 30	—	1,065,458
Excess of Canada Southern's equity in net assets of Act Oils over its investment at acquisition	909,391	909,391
	<u>5,457,130</u>	<u>5,457,130</u>
Deductions from capital	<u>\$ 5,091,834</u>	<u>\$ 4,948,542</u>

Since substantially all of the properties and property interests owned by the Company are in an exploratory or development stage, realization of the amounts represented by oil and gas permits, leases and interests and other exploratory expenses and general and administrative expenses deferred is dependent upon future developments.

## 2. Act Oils

In 1954 Canada Southern and United Canso Oil & Gas Ltd. (United Canso) each acquired a 50% share ownership of Act Oils.

In October 1965 Canada Southern purchased United Canso's 50% share ownership of Act Oils. In a related transaction United Canso in November 1965 purchased certain property interests and equipment from Act Oils. The end result of these transactions was that United Canso converted its beneficial interest in the properties held by Act Oils to a direct one, and the excess of Canada Southern's equity in net assets of Act Oils (which became a wholly-owned subsidiary of Canada Southern) increased. Such increase has been credited to deductions from capital in the accompanying consolidated financial statements.

In October 1965 and 1966 Canada Southern sold to Act Oils, then its wholly-owned subsidiary, approximately a 35% interest in certain of Canada Southern's interests in the Northwest and Yukon Territories. No effect of these sales has been reflected in the accompanying consolidated financial statements.



## NOTES TO FINANCIAL STATEMENTS — Continued

June 30, 1967

As of April 1, 1966 Sun Oil Company purchased certain producing property interests and related equipment, with a net book value (cost less depletion, depreciation and amortization) of \$272,978, from Act Oils for \$1,338,436. The profit of \$1,065,458 on this sale has been credited to deductions from capital in the accompanying consolidated financial statements.

The November 1965 and April 1, 1966 transactions included the sale of substantially all of the Company's producing property working interests and related equipment.

### 3. Properties and related exploratory and other expenses

The Company's principal properties and property interests are located in British Columbia, the Northwest and Yukon Territories, the Arctic Islands and Australia.

At June 30, 1967, most of the acreage located in British Columbia and the Northwest and Yukon Territories was covered by carried (net profits) interest agreements. These carried interest agreements provide that profits are not payable to the Company until expenditures by the operators have been recouped from production. Also, the Company may at any time elect to convert its position from a carried interest to a working interest by paying its share of the expenditures not recouped by profits from production. At June 30, 1967, the accumulated expenditures by the operators attributable to the Company's carried interests substantially exceeded the amounts recouped from production.

At June 30, 1967, the Company's share of the cost of a standing well, completed as a discovery on a permit in the Yukon Territory during the year ended June 30, 1965 at which time the Company had a 45% working interest, amounted to \$1,131,859. It is anticipated that a significant amount of rework will be necessary to bring this well to production.

Lease rentals, work requirements and deposits in connection with the properties and property interests held by the Company at June 30, 1967 approximate \$240,000 for the year ending June 30, 1968. In addition, at June 30, 1967 Canada Southern had issued notes, aggregating \$159,000, to the Government of Canada because of uncompleted work requirements on various permits. These notes have been excluded from the accompanying consolidated financial statements as they will be cancelled by the Government upon the completion of these work requirements.

No provision for amortization of the amount carried for oil and gas permits, leases and interests or for other exploratory expenses and general and administrative expenses deferred is included in the accompanying consolidated financial statements. Depreciation has been provided for building and equipment by the straight-line method based on estimated useful lives.

### 4. The Catawba Corporation

The amounts shown in the consolidated statement of other exploratory expenses and general and administrative expenses deferred for financial, technical and other services under contract represent charges from The Catawba Corporation (Catawba). Canada Southern's current (expired August 1966 but continued on a month to month basis) and prior contracts with Catawba have provided for payments based on services rendered and the granting of a 1/64th overriding royalty on all properties acquired by Canada Southern during the term of the contract. The contracts also have provided for special compensation for services rendered not contemplated under the contracts. Catawba provides similar services to Magellan Petroleum Corporation and United Canso Oil & Gas Ltd. Certain of the stockholders, officers and employees of Catawba are directors, officers and/or stockholders of Canada Southern and the other companies mentioned above.

### 5. Capital and stock options and reservations

During the year ended June 30, 1967 the Company sold 352,400 shares of its capital stock realizing net proceeds of \$793,878. The par value of the shares sold (\$352,400) was added to capital stock and the balance (\$441,478) was

**NOTES TO FINANCIAL STATEMENTS — Continued**

June 30, 1967

added to capital in excess of par value. During the year ended June 30, 1966 the Company charged capital in excess of par value \$24,220 for expenses in connection with the sale, which is currently in process, of 750,000 shares of its capital stock. There were no other changes in the capital stock or capital in excess of par value of the Company during the two years ended June 30, 1967.

Stock options to purchase 150,000 shares of the Company's capital stock granted in July 1959 to The Catawba Corporation expired on August 31, 1966.

On April 11, 1967 the Company's stockholders approved an incentive stock option plan authorizing the Board of Directors to grant options on 300,000 shares of the Company's capital stock. There were no options granted under this plan during the year ended June 30, 1967. An additional 23,000 shares are reserved for future option grants.

**6. Directors' compensation**

Certain employees and office facilities are shared with United Canso and certain of the general and administrative expenses represent allocated portions of common expenses. Compensation of directors allocated to or paid directly by Canada Southern amounted to \$35,778 and the contribution to a pension plan on behalf of one of these directors allocated to Canada Southern amounted to \$1,111 for the year ended June 30, 1967.

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**AUDITORS' REPORT**

The Board of Directors and Stockholders

CANADA SOUTHERN PETROLEUM LTD.

We have examined the accompanying consolidated balance sheet of Canada Southern Petroleum Ltd. and subsidiaries at June 30, 1967 and the related consolidated statements of oil and gas permits, leases and interests and of other exploratory expenses and general and administrative expenses deferred for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to such adjustment as would result from failure to recover in the future the amounts at which oil and gas permits, leases and interests and other exploratory expenses and general and administrative expenses deferred are carried in the consolidated balance sheet (see Note 1), the statements mentioned above present fairly the consolidated financial position of Canada Southern Petroleum Ltd. and subsidiaries at June 30, 1967 and the consolidated changes in oil and gas permits, leases and interests and in other exploratory expenses and general and administrative expenses deferred for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG, CLARKSON, GORDON & Co.

New York, N. Y.

August 15, 1967



## BOARD OF DIRECTORS

ALAN S. ANDERSON

JOHN W. BUCKLEY

BENJAMIN W. HEATH

DONALD B. LAMONT

M. A. REASONER

## OFFICERS

JOHN W. BUCKLEY

*President*

M. A. REASONER

*Vice President & General Manager*

ROLAND J. RICHARDSON

*Vice President & Controller*

ARTHUR B. O'DONNELL

*Secretary & Treasurer*

K. ROSS JORDAN

*Assistant Secretary & Assistant Treasurer*

## AUDITORS

Arthur Young, Clarkson, Gordon & Co.

Securities Transferred in the United States of America by  
The First National Bank of Jersey City  
One Exchange Place, Jersey City, N. J. 07303

# Canada Southern Petroleum Ltd.

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*Inquiries or requests for additional information concerning Canada Southern Petroleum Ltd. should be addressed to the Company in care of The First National Bank of Jersey City, One Exchange Place, Jersey City, N. J. 07303, or to 505 Eighth Avenue South West, Calgary, Alberta, Canada.*

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